

Testimony of Bill Bynum, CEO
Enterprise Corporation of the Delta and Hope Community Credit Union
Before the U.S. House Financial Services Subcommittee on Housing and Community Opportunity
***“Solving the Affordable Housing Crisis in the Gulf Region Post Katrina:
Why no progress and what are the obstacles to success?”***
February 23, 2007

Madam Chairwoman and members of the Committee, thank you for holding this hearing to examine the housing crisis in our region, and thank you for the invitation to speak today.

I testify as CEO of ECD/HOPE -- Enterprise Corporation of the Delta (www.ecd.org) and Hope Community Credit Union (www.hopecu.org). Working together these nonprofit organizations form a regional community development financial institution that since 1994 has generated over \$300 million in financing for entrepreneurs, homebuyers and community development projects, and directly benefited more than 30,000 individuals in markets that are distressed, underserved and often written off. Perhaps most relevant to my comments today, is the fact that we accomplished these results by forging partnerships with banks, private industry, public agencies, foundations, faith- and community organizations and other important contributors to economic and community development.

I emphasize this collaboration because our experience has been that the development needs facing these communities cannot be adequately addressed by any one sector by itself. This has been borne out in our response to Katrina. Immediately following the storm, ECD/HOPE began working with several groups to connect families to resources desperately needed to first survive, and then start the process of rebuilding their homes, lives and communities. Together with community development groups, faith-based organizations and low-income advocates, we have:

- Provided affordable financial services to more than 4,500 residents;
- Assisted 450 homeowners assisted with repair and rebuilding;
- Generated more than \$20 million in financing to consumers, homeowners and small businesses;
- Made 900 bridge loans to people and businesses waiting for insurance and government payments;
- and
- Connected 1,500 people to free legal assistance, evacuation and relocation support, and other recovery services.

In addition to our work with individuals and nonprofit organizations, Home Again our housing development affiliate, is in the process of rebuilding 71 homes – all built to new codes – in Pass Christian, MS. Through Home Again, these families received financial counseling and construction management assistance. The counseling ensured that families only paid for quality work without being ripped off by

unscrupulous contractors. Last year, Phil Eide, our Vice President of Housing Initiatives described this project as a pilot to your committee.

As a result of the successful pilot, effective collaboration between nonprofit organizations and Governor Barbour's staff, I am pleased to report that, the financial counseling component of the initiative will be taken to scale through Phase II of the Mississippi Homeowner Assistance Grant Program. The State has selected ECD/HOPE to provide financial counseling for residents who receive award through Phase II. In this role we will help insure that thousands of Gulf Coast residents – regardless of their station in life – have the opportunity to return to their homes.

Despite the billions of dollars sent to the Gulf Region to aid in hurricane recovery efforts, significant gaps in the public response remain 18 months after the storm. Specifically, gaps exist within the affordable housing development response. Three issues underscore the challenges to affordability: 1) Plans to re-develop affordable rental stock are slow to unfold and do not represent efforts to fully replace the stock at pre-storm levels; 2) Rising insurance rates are adding hundreds of dollars to monthly mortgage payments making the retention of rebuilt homes challenging or impossible; 3) Some Gulf Coast residents do not qualify for federal or state programs to rebuild.

In the midst of the challenges, nonprofit organizations have emerged as a beacon of hope for those who have fallen into the gaps. With far fewer resources, away from the public eye, the collective works of nonprofit organizations have built or repaired thousands of homes on the Mississippi Gulf Coast, oftentimes, for those who could not qualify for public disaster assistance.

Given the track record of the nonprofit response, ECD/HOPE recommends that a pool of hurricane relief funding be appropriated to strengthen the capacity of nonprofit organizations to sustain a long term response of those entities serving people who have no other option for assistance.

Responding to the Gaps – the MS Gulf Coast Nonprofit Sector

On the eve of the storm, the Gulf Region (defined as the Biloxi, Gulfport and Pascagoula MSA and the New Orleans MSA) was home to over 3,300 public charities that employed over 37,000 people.¹ As with other businesses, nonprofits experienced physical damage, business interruption and the loss of equity. According to survey conducted by the Mississippi Center for Nonprofits, nonprofit organizations in the Gulf region experienced the following losses:

- 67% experienced staff turnover losses;
- 77% experienced major building damage or complete loss of their facility;
- 93% of the nonprofits surveyed experienced program or services losses.²

¹ Center on Nonprofits and Philanthropy – National Center for Charitable Statistics. www.nccs.urban.org

² Mississippi Center for Nonprofits. “Katrina’s Impact on the Service Sector in Mississippi

While many of the region's nonprofit organizations sustained crippling losses following the hurricane, many used their remaining capacity to clothe, feed and shelter residents. After the immediate relief efforts subsided, nonprofits undertook the role of rebuilding homes for the uninsured and underinsured. Rebuilding efforts were buttressed by the presence of national and international nonprofit organizations that made a long term investment in the recovery of the region. As a result of nonprofit efforts, a survey of 13 nonprofit organizations rebuilding homes on the MS Gulf Coast revealed that nonprofits have rebuilt or repaired 8,738 homes to date – all by stretching beyond their existing capacity to respond to a need – a need that has not been funded by the government.

A Case Study: The Enterprise Corporation of the Delta and Hope Community Credit Union (ECD/HOPE)

Shortly after the storm, ECD/HOPE received many inquiries from individuals, charities, faith based coalitions and corporations seeking to donate money and resources to a regionally based nonprofit organization. Most people were looking for an entity that could identify the needs of local people and deploy the resources in a timely manner while maintaining the financial integrity of their donation. As a well established community development intermediary, ECD/HOPE had systems and networks in place to efficiently bring resources into the region, connect to grass roots organizations on the front lines of response and appropriately manage resources designated for relief and recovery.

ECD/HOPE responded to the requests by using its community development expertise honed in the economically distressed areas of the MS Delta to assist individuals, homeowners and nonprofit organizations.

Assisting Individuals

ECD/HOPE also leveraged its existing financial service network through the credit union and collaborated with the Foundation for the Mid South (FMS) to implement the Power of Hope Program. Through the Power of Hope Program, hurricane victims received individual grants to relocate, return and rebuild. Recipients received recovery grants to be accessed through a savings account at Hope Community Credit Union. To date, 3,479 victims of the hurricane received \$3.3 million dollars through the program.

For those who did not receive grant funds or required additional funds to meet their needs, ECD/HOPE partnered with national, state and local socially responsible investors to implement the Consumer Recovery Loan Program. The investors provided grant funds that were used to secure a no / low-interest loan product. Through the Consumer Recovery Loan Program, those affected by the storm could apply for a loan of up to \$5,000 for relocation or rebuilding needs. The loan was an interest free loan for up to six months with the option to refinance the loan at the end of 6 months at 4.5% for a term of two years. Through 2006, 1,064 individuals received \$2.8 million dollars in consumer recovery loans.

Assisting Homeowners

Following Hurricane Katrina, ECD/HOPE partnered with a number of nonprofit organizations and individual donors to launch Home Again, a nonprofit subsidiary of ECD/HOPE that works with Mississippi Gulf Coast residents to rebuild their homes that were lost during the storm. Home Again was developed as a pilot project to demonstrate how a combination of contract management assistance, access to rebuilding subsidies and modular housing technology could be deployed in concert to rapidly move people back into their homes.

In 2006, 35 families were assisted through the program. Of the first 15 assisted, 14 were minorities. The annual incomes ranged from \$7,368 to \$26,400. The initial 15 borrowers have received nearly \$1.3 million in subsidies in the form of grants and loans to pay for the rebuilding of their homes.

As a result of the successful pilot, Home Again received funding to build an additional 35 homes across the Mississippi Gulf Coast. Through the strong partnerships established and a competitive bidding process, the next stage of the project has been designed to assist the next 35 families at a reduced construction cost of \$75 per square foot, compared to prices in excess of \$100 per square foot during the first round. These savings will be passed along to the homeowners.

The Home Again pilot also demonstrated a successful model for state-funded recovery efforts. As a result of Home Again's impact, ECD/HOPE was asked to comment on several aspects of the state's recovery plan for home ownership. By interacting with policy makers and nonprofit organizations, ECD/HOPE was able to use the lessons learned from its work in distressed markets to inform recovery efforts, including the second phase of the state's rebuilding strategy around homeownership.

Assisting Nonprofit Organizations

ECD/HOPE also raised \$915,000 to re-grant to nonprofit organizations responding to the needs of the region's most distressed residents. Funds were used for a variety of purposes including initially:

- Providing down payment assistance for dislocated residents to relocate;
- Providing assistance to purchase rebuilding materials;
- Transportation assistance for families in FEMA trailers returning to work; and
- Legal assistance for residents who were wrongfully evicted.

The assistance was used – in all cases – by nonprofit organizations that were covering people who were living in the gaps between the government response and the cost of returning and rebuilding.

Moving Forward – Recommendations for Rebuilding the Region

ECD/HOPE is recommending that Congress appropriate a pool of funds to be administered by an intermediary to build the capacity of nonprofit organizations to sustain a long term response for those

residents who remain in the gaps. The program could be modeled after the Emerging Markets Partnership of ECD/HOPE. The Emerging Markets Partnership is a comprehensive effort to stimulate economic development in the Delta regions of Arkansas, Louisiana and Mississippi.

The main goals of the Emerging Markets Partnership are to:

- Promote job creation, retention and advancement;
- Stimulate entrepreneurship, and business development;
- Foster asset development among low- and moderate-income individuals and families;
- Strengthen infrastructure that enables Delta businesses and workers to compete

Since its inception in 2001, a \$20 million investment by the W.K. Kellogg Foundation has been leveraged to achieve the following outcomes:

Table 1 Emerging Markets Partnership Summary	
Goals	Progress to Date
Small business loans and investments	\$78,488,041
Develop Small Businesses	1,060 Firms and Entrepreneurs Assisted
Create and Retain Jobs	3,203 Jobs Assisted
Train workers	4,014 people trained
Expand Homeownership Opportunities	860 homebuyers assisted through \$37 million in financing
Build Affordable Homes	226 Homes built

The investment was leveraged by contracting with local and regional nonprofit organizations with a track record of working in economically distressed communities.

A similar program could be structured to assist Gulf Coast residents. Funds could be made available through one of the agencies in the executive branch to be administered by a regional intermediary with a track record in distressed communities. The intermediary would be responsible for structuring contractual arrangements with nonprofit organizations to build their capacity while serving residents of the region. Ultimately, the intermediary would be accountable for all funds dispersed and timely accomplishment of nonprofit development goals.

Thank you very much for the opportunity to present this testimony.